

The following draft of Minimum Internal Control Standards (MICS) regulations have been created using statutes and regulations from other states (such as Nevada, New Jersey, and Washington) as well as local ordinances in California and the experiences of the California Gambling Control Commission ("Commission") and the Division of Gambling Control ("Division").

This draft is a starting point for the Commission to get YOUR input. While many concepts have been detailed, the Commission is not bound to this draft – your comments either for or against topics or language in these regulations is solicited, including areas that perhaps should be covered in the MICS, but have not yet been addressed.

If you are suggesting alternative language or addressing a not-yet-covered area, any reasons that you can give for the new language would also be helpful in the Commission's understanding of why the regulations should be developed in a particular way.

There will be a public workshop to discuss these draft regulations on Tuesday, September 7, 2004, from 1:30 p.m. to 5 p.m. at the Radisson Hotel in Sacramento (500 Leisure Lane).

Comments may also be sent in to the Commission by mail, e-mail, or FAX, attention Heather Hoganson, Staff Counsel.

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Title 4. Business Regulations
Division 18. California Gambling Control Commission
Chapter 1. General Provisions

12002. General Definitions

Unless otherwise specified, the definitions in Business and Professions Code section 19805, supplemented by the definitions found in Chapter 10 of Title 9 of Part 1 of the Penal Code (commencing with section 330), shall govern the construction of this division. As used in this division:

- (a) **"Applicant"** means the applicant for registration or licensing under this division, including in the case of an owner that is a corporation, partnership, or any other business entity, any persons whose registrations or licenses are required to be endorsed upon the primary owner's registration or license certificate.
- (b) **"Bureau"** means the Bureau of Criminal Identification and Information in the California Department of Justice.
- (c) A **"Cage"** means an enclosed structure except for openings through which items such as gaming chips, checks, cash, records, and documents can be passed to serve the public, gambling establishment employees, and gaming tables. A **"Satellite cage"** means a secure structure which can be used to exchange cash equivalents and chips and which may be located throughout the gambling establishment.
- (d) **"California Games"** means controlled games that feature a rotating player-dealer position, as described in Penal Code section 330.11.
- (e) **"Cash Equivalent"** means a treasury check, personal check, traveler's check, wire transfer of funds, money order, certified check, cashier's check, a check drawn on the licensee's account payable to a patron or to the licensee, a voucher recording cash drawn against a credit card or debit card, or a short-term marketable security which can be immediately redeemed.
- (f) A **"Chip"** means a tangible representative of value issued by a licensee to a patron. A **"Foreign Chip"** means a chip from another licensed gambling establishment that has been accepted by the licensee.
- (g) **"Chips in Use"** means the outstanding liability which the gambling establishment has for Chips held by others. The calculation to arrive at the outstanding liability is the initial chip inventory plus all additions of chips purchased, minus chips destroyed or taken out of service, minus chips on hand in cage.
- (h) **"Commission"** means the California Gambling Control Commission.
- (i) **"Deadly weapon"** means any weapon, the possession or concealed carrying of which is prohibited by Penal Code section 12020.

- (j) "**Division**" means the Division of Gambling Control in the California Department of Justice.
- (k) "**Drop**" means the total amount of compensation collected from patrons of a gambling establishment to play in controlled games.
- (l) "**Executive Director**" means the executive officer of the Commission, as provided in Business and Professions Code section 19816(a).
- (m) "**Funding source**" means any person that provides financing, including but not limited to loans, advances, any other form of credit, chips, or any other representation or thing of value, to an owner-registrant or owner-licensee, other than individual registrants under Subsection (d) of Section 12201 or licensees. "Funding source" does not include any federally or state chartered lending institution or any of the following entities that in the aggregate owns at least one hundred million dollars (\$100,000,000) of securities of issuers that are not affiliated with the entity:
 - (1) Any federally-regulated or state-regulated bank or savings association or other federally- or state-regulated lending institution.
 - (2) Any company that is organized as an insurance company, the primary and predominant business activity of which is the writing of insurance or the reinsuring of risks underwritten by insurance companies, and that is subject to supervision by the Insurance Commissioner of California, or a similar official or agency of another state.
 - (3) Any investment company registered under the federal Investment Company Act of 1940 (15 U.S.C. sec. 80a-1 et seq.).
 - (4) Any retirement plan established and maintained by the United States, an agency or instrumentality thereof, or by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees.
 - (5) Any employee benefit plan within the meaning of Title I of the federal Employee Retirement Income Security Act of 1974 (29 U.S.C. sec. 1001 et seq.).
 - (6) Any securities dealer registered pursuant to the federal Securities Exchange Act of 1934 (15 U.S.C. sec. 78a et seq.).
 - (7) Any entity, all of the equity owners of which individually meet the criteria of this subsection.
- (n) "**Gaming Activity**" means any controlled game or promotional scheme that is appended to, references, or relies upon any controlled game.
- (o) "**Gambling Control Act**" or "**Act**" means Chapter 5 (commencing with Section 19800) of Division 8 of the Business and Professions Code.
- (p) "**Group I licensee**" means a licensee with a reported gross revenue of \$10 million or more for the preceding fiscal year.

- (q) "**Group II licensee**" means a licensee with a reported gross revenue of \$2 million or more but less than \$10 million for the preceding fiscal year.
- (r) "**Group III licensee**" means a licensee with a reported gross revenue of less than \$2 million for the preceding fiscal year.
- (s) "**Jackpot**" means a gaming activity appended to the play of an authorized game in a gambling establishment in which a prize is awarded based on predetermined criteria.
- (t) "**Jackpot administrative fee**" means a fee to cover all expenses incurred by the licensee for administering a Jackpot.
- (u) "**Player's bank**" means the total amount of monies a patron of the gambling establishment has on deposit with the gambling establishment.
- (v) A "**Podium**" means a locking cabinet located on the gaming floor, which is used to store items such as chips, cards, and playing books. A podium cannot be used to store cash or currency.
- (w) "**Poker Games**" are controlled card games that do not feature a player-dealer position.
- (x) "**Registrant**" means a person having a valid registration.

Note: Authority cited: Sections 19840 and 19841, Business and Professions Code.
Reference: Sections 19800, 19805, 19811, and 19816, Business and Professions Code.

Chapter **3**. Gambling Businesses

Repeal Chapter 2.2 heading before section 12220 and re-title Chapter 3.

Deleted: 2.2

Deleted: : Registration

Chapter **4**. Third-Party Providers of Proposition Player Services

Repeal Chapter 2.1 heading before section 12200 and re-title Chapter 4.

Deleted: 2.1

Deleted: : Interim Registration

Chapter **5**. Manufacturers or Distributors of Gambling Equipment

Repeal Chapter 4 heading before section 12300 and re-title Chapter 5.

Deleted: 4

Chapter **6**. State Gambling Licenses for Gambling Establishments

Repeal Chapter 3 heading before section 12250 and re-title Chapter 6, commencing with section 12340.

Deleted: 3

12356. Gaming Activity Authorization

- (a) As part of the application for initial licensure, every applicant shall submit to the Division a report identifying all gaming activities proposed to be offered at the gambling establishment. The report shall include, but not be limited to, the following:
- (1) The name of each gaming activity;
 - (2) The complete and detailed description of rules for each gaming activity, including, where applicable, a description of the event that determines the winner of the gaming activity, the equipment that may be used, the wagering conventions, and the fee collection and assessment methods;
 - (3) A glossary of distinctive terms or phrases used in each gaming activity;
 - (4) A statement for each gaming activity that explains why that gaming activity is not prohibited or made unlawful by statute, local ordinance, regulation, or final judgment by a competent court of law; and
 - (5) Such other information the Division, in its discretion, requests.
- (b) Unless a reported gaming activity is specifically disapproved by the Division, all gaming activities identified in the required report shall be deemed authorized upon issuance of the initial license.
- (c) At any time after initial licensure, a gambling establishment may request the Division to authorize a gaming activity which has not been previously authorized by the Division, for use at that establishment. Within 30 days of a request for authorization of a gaming activity, the Division shall review the request for completeness and notify the licensee of any deficiencies in the request, or that the request is complete. Within 90 days from the date a licensee is notified that the request is complete, the Division shall act on the request. The request shall include, but not be limited to, the following:
- (1) The name of each requested gaming activity;
 - (2) The rules for each requested gaming activity, including, where applicable, a description of the event that determines the winner of the gaming activity, the wagering conventions, and the fee collection and assessment methods;
 - (3) A glossary of distinctive terms or phrases used in each gaming activity;
 - (4) A statement for each gaming activity that explains why that gaming activity is not prohibited or made unlawful by statute, local ordinance, regulation, or final judgment by a competent court of law; and,
 - (5) Such other information the Division, in its discretion, requests.

- (d) The Division, in its sole discretion, may temporarily authorize the play of a gaming activity during the pendency of the Division's review. The Division, in its sole discretion, may withdraw this temporary authorization at any time. Such temporary authorization does not create any presumption as to the suitability or lawfulness of the gaming activity, nor does it create any right, of any nature whatsoever, to the continuing play of the temporarily authorized gaming activity at the establishment.
- (e) Any games or gaming activity to be offered during a tournament or special event shall be submitted to the Division for approval. No less than 45 days before the tournament or special event, the owner, designated agent, or authorized representative seeking to hold the tournament or special event shall send to the Division:
 - (1) The name of each gaming activity;
 - (2) The complete and detailed description of rules for each gaming activity, including, where applicable, a description of the event that determines the winner of the gaming activity, the equipment that may be used, the wagering conventions, and the fee collection and assessment methods;
 - (3) A glossary of distinctive terms or phrases used in each gaming activity;
 - (4) A complete and detailed description of the manner in which the player(s) qualify for the event; and
 - (5) A statement for each gaming activity that explains why that gaming activity is not prohibited or made unlawful by statute, local ordinance, regulation, or final judgment by a competent court of law.
- (f) It shall be an unsuitable method of operation to offer for play any requested gaming activity without first obtaining authorization from the Division to do so.
- (g) If upon subsequent review it is determined by the Division that a gaming activity is prohibited or made unlawful by statute, local ordinance, regulation, or final judgment by a competent court of law, then the authorization for that gaming activity shall be withdrawn.
- (h) Within 10 days of service of notice from the Division either disapproving of, or withdrawing authorization for, a gaming activity as provided in this regulation, an objection thereto may be filed with the Director. The Director, in his or her discretion, may then grant or deny the objection. Judicial review of the Director's decision is subject to the limitation of Business and Professions Code Section 19804.

Authority: Business and Professions Code, 19841(b).

12358. Additional Tables for Tournaments or Special Events; Fees Required

- (a) The owner, designated agent, or authorized representative of a gambling establishment may apply to operate, on a limited and temporary basis, for a tournament or special event (hereafter, event), more tables than the gambling establishment is authorized to regularly operate. To apply for additional tables, the applicant must submit to the Commission, no less than 45 days prior to the event, the following for each and every event:
- (1) A completed and signed application form entitled "Request for a Certificate to Operate Additional Tables on a Temporary Basis" (CGCC Form 24, rev. 8-04). This form includes:
 - (A) The name, address, and telephone number of the gambling establishment and the contact person at the gambling establishment for the event.
 - (B) The proposed date or dates when additional tables are requested.
 - (C) The name of the event.
 - (D) The location of the event within the gambling establishment.
 - (E) The gaming activity to be offered during this event, and whether or not the gaming activity has been previously approved by the Division.
 - (F) The number of tables the Commission has authorized the gambling establishment to operate on a permanent basis.
 - (G) The number of temporary tables being requested.
 - (H) The total number of tables planned for operation during the event, which is the total of subdivision (a)(1)(F) plus (a)(1)(G).
 - (I) The amount of table fees as calculated pursuant to subdivision (a)(4).
 - (J) A date and signature, under penalty of perjury, by the applicant.
 - (2) A non-refundable application fee of \$500.00, made payable to the California Gambling Control Commission.
 - (3) Additional tables fees, calculated by the following formula:
 - (A) Identify the annual per table fee currently paid by the licensed gambling establishment;
 - (B) Divide this number by 52 to determine the per table fee;
 - (C) Multiply this number by the number of additional tables;
 - (D) Multiply this number by the number of event days (fractions or portions of a day being considered as a full day) and round up to the nearest whole number. This number is the additional tables fee for the event.

- (b) The Commission shall not grant the application to operate additional tables on a temporary basis if any of the following are disclosed by the application or the results of the investigation of the applicant by the Division:
 - (1) The requested temporary increase in the number of tables would exceed the number of tables allowed to be operated by the local jurisdiction where the gambling establishment is located.
 - (2) The requested temporary increase in the number of tables has been denied by local jurisdiction where the gambling establishment is located.
 - (3) The requested temporary increase in the number of tables constitutes an expansion of gambling, pursuant to Business and Professions Code, section 19861 or 19862.
 - (4) The event exceeds, in one twelve-month period, the total of
 - (A) Three events of more than five days but less than 30 consecutive days and/or
 - (B) 20 events of up to five days each.
 - (5) The gaming activity is not approved by the Division.
 - (6) The gambling establishment's state gambling license is suspended or contains conditions precluding the approval of a temporary increase in the number of tables.
 - (7) The gambling establishment has outstanding fee, fines, or penalties owing to the Commission or to the Division.
- (c) The Commission may not grant the application to operate additional tables on a temporary basis if any of the following are disclosed by the application or the results of the investigation of the applicant by the Division:
 - (1) The application and supplemental explanation of the event as submitted were untimely or incomplete.
 - (2) The application fee and appropriate additional tables fees were not timely submitted.
- (d) A request by an applicant to withdraw the application shall result in the application being considered abandoned, and the additional tables fees returned, with no further action to be taken by the Commission.
- (e) The Commission may delegate the authority to issue a license certificate approving or denying the requested temporary increase in the number of tables to any employee of the Commission. Commission staff shall commence the initial review within 5 days of receipt of the application and forward the application to the Division for investigation. The Division shall complete its investigation within 20 days, and return its findings to the Commission.

Commission staff shall then complete the review within 15 days and notify the applicant.

Authority: Business & Professions Code 19841(a), (b), (c), and (p), 19952.

Chapter 7. Conditions of Operation for Gambling Establishments

Article 1. In General (reserved 12360-12369)

Article 2. Evacuation Plan (reserved 12370-12371)

Repeal Chapter 5 heading before section 12370 and re-title Article 2.

Article 3. Minimum Internal Control Standards for Gambling Establishments (MICS)

12372. Minimum Internal Control Standards

- (a) “Minimum Internal Control Standards” or “MICS” mean the minimum requirements to operate a gambling establishment as set forth in this Article. A licensee must meet or exceed these requirements in controlling its gambling operation.
- (b) MICS shall provide reliable data, safeguard assets and records, promote operational efficiency, and assure adherence to prescribed policies and procedures. MICS include administrative and accounting controls. MICS require independent testing and compliance.
- (c) MICS shall be appropriate to the size and sophistication of a gambling establishment to ensure that gaming activity is closely monitored and controlled.
- (d) MICS include clear lines of authority and responsibility within the gambling establishment. MICS require, to the extent reasonably possible, segregation of duties for an employee involved in the gaming operation to assure that the employee is not responsible for incompatible functions. Incompatible functions include certain accounting and cash functions, duties, or responsibilities that place a person or department in a position to both perpetrate and conceal errors or irregularities in the normal course of business. Anyone both recording transactions and having access to the relevant assets is in a position to perpetrate errors or irregularities. For example, an employee that writes checks may not reconcile the bank account; or, an employee that transports funds may

not have access to keys for locks securing such funds or to surveillance tapes recording the transaction.

- (e) Within 120 days of the effective date of these regulations, a licensee shall establish and implement written policies and procedures which meet or exceed the requirements of this Article. These policies and procedures shall be immediately available on request for the Commission or Division to review. On request, copies of these policies and procedures shall be provided, within a time specified, to the Commission or Division.
- (f) If the Commission determines that the policies and procedures do not adequately address the requirements of this Article, the Commission shall issue such a determination identifying the deficiencies and specifying a time certain within which such deficiencies must be cured.
- (g) Failure by a licensee to comply with the requirements of this Article or to cure a deficiency noticed pursuant to subsection (f) constitutes an unsuitable method of operation and is grounds for disciplinary action.

12373. Policies and Procedures

- (a) A licensee shall have policies and procedures which shall meet or exceed the requirements of this Article. Policies and procedures shall address each major area of the gambling establishment and the requirements contained in the following regulations:
 - (1) Personnel [see Regulation 12374]
 - (2) Tips [see Regulation 12376]
 - (3) Drop Collection [see Regulation 12378]
 - (4) Count & Count Room functions [see Regulation 12379]
 - (5) Cage functions [see Regulation 12380]
 - (6) Check Cashing, credit policies for check cashing, and uncollected check handling procedures [see Regulation 12381]
 - (7) Extension of credit procedures and collection of amounts owed [see Regulation 12382]
 - (8) Adequate Financing [see Regulation 12383]
 - (9) Players' and Dealer's bank activity [see Regulation 12384]
 - (10) Jackpot funds and jackpot administration and accounting procedures for collection and payout [see Regulation 12386]
 - (11) Tournaments and special events [see Regulation 12387]
 - (12) Gaming Floor Operation and Table Games [see Regulation 12388]

- (13) Protection of Chips, cards and other gaming equipment [see Regulation 12390]
 - (14) Security [see Regulation 12392]
 - (15) Surveillance [see Regulation 12394]
 - (16) Information Systems [see Regulation 12396]
 - (17) Accounting and Financial Reporting, including provisions to comply with Title 31 of the United States Code and Part 31 of the Code of Federal Regulations [see Article 4, Regulations 12400 et seq.]
- (b) A licensee shall assign the overall responsibility for establishing, periodically reviewing, monitoring, and testing for compliance its policies and procedures to a specific member of management and shall document the assignment in the licensee's policies and procedures. Tests for compliance shall be conducted by staff other than the person or persons who normally perform the duties being tested. Results of such tests shall be documented and efforts to correct any noncompliance detailed.
 - (c) Policies and procedures shall be communicated to employees through new employee orientations and periodic training sessions.
 - (d) Adherence to established policies and procedures shall be required.
 - (e) Compliance with established policies and procedures shall be monitored by the licensee and exceptions shall be documented.
 - (f) Unless specified elsewhere in this chapter, all forms, books, records and any and all other original source or duplicate documentation required to be maintained by the licensee in this chapter shall be recorded in English, in permanent form, and maintained in a secured area on site at the gambling establishment or at a California facility approved in advance by the Division for a minimum of seven years.

12374. Personnel

- (a) Employees must have a valid gambling establishment license or key employee license issued by the Commission or a valid work permit issued by the local jurisdiction or, if the work permit is not issued by the local jurisdiction, a valid work permit issued by the Commission.
- (b) An employee shall visibly wear an identifying badge while on duty. Upon termination or resignation, the employee shall immediately return the badge to

the issuing agency or to the manager of the gambling establishment for transmission to the issuing agency within 10 days.

- (c) Personnel shall be adequate in number to ensure that gaming activity is conducted in accordance with approved rules and personnel are properly trained and competent to handle the duties of their assigned positions.
- (d) An employee personnel file shall be maintained for at least three years after termination and shall, at a minimum, include:
 - (1) Name
 - (2) Address
 - (3) Proof of residency
 - (4) Date of Birth
 - (5) Date of Hire
 - (6) Social Security Number
 - (7) Position
 - (8) Salary Range
 - (9) Copy of identification used to verify employee
 - (10) Employee number identified on the employee work permit, or license badge.
 - (11) Tipped Employee Participation Agreement (if a Tip Rate Determination Agreement with the Internal Revenue Service is in effect)
 - (12) Documentation of training received related to policies and procedures
 - (13) Acknowledgement of duties and responsibilities and agreement that employee will comply with all policies, procedures, laws, and regulations
 - (14) Employment agreement or contract, if one is used
- (e) All wages and compensation shall be recorded, paid, and reported.
- (f) All payroll taxes shall be properly recorded, paid, and reported.
- (g) Workers' compensation insurance shall be in effect.

12376. Tips

- (a) A licensee may allow an authorized employee to accept tips from a patron. A tip may not be based on a percentage of funds wagered, lost, or won. If a licensee allows authorized employees to accept tips, the licensee shall address, in policies and procedures, the following requirements for tips:

- (1) Which employees are authorized to accept tips;
 - (2) That the house or an employee directly involved in accounting or surveillance shall not solicit, accept, or otherwise share a tip originating from a player or patron;
 - (3) That a key employee, when acting in the capacity of an employee with no supervisory responsibilities and no authority to make discretionary decisions, may accept tips;
 - (4) That tips to cashiers shall be deposited directly by the patron into a designated tip container; and
 - (5) That tips are to be properly reported, recorded, and segregated from all other gaming funds.
- (b) For tip pools, a licensee shall:
- (1) Document the procedures for the receipt and distribution of funds;
 - (2) Describe in detail the method used to allocate tips pursuant to any Tip Rate Determination Agreement with the Internal Revenue Service; and
 - (3) Be in sufficient detail to meet federal, state, and local tax requirements.

12378. Drop Collection

- (a) A licensee with a reported gross revenue of \$200,000 or more for the preceding fiscal year shall address, in policies and procedures, the following requirements for drop collections:
- (1) A gaming table shall have attached to it a secure container known as a "drop box." A drop box shall be constructed and controlled in a manner to provide security of contents and shall meet the following requirements and procedures. A drop box shall have the following:
 - (A) A lock securing the contents.
 - (B) A separate lock securing the drop box to the gaming table. This lock shall be keyed differently from the lock securing the contents of the drop box.
 - (C) An opening through which chips collected for fees can be inserted into the drop box.
- OPTION:** Table forms or drop slips, which include table number, dealer's name at time of drop, floor supervisor's name at time of drop, work shift, and name of the gaming activity shall be inserted into drop box.

- (D) A permanent number, clearly visible from a distance of 20 feet, corresponding to an affixed number on the gaming table to which the drop box is attached. If a drop box is removed from a table more than once during an operating day, the shift number or name shall also be imprinted or impressed along with the table number on the drop box.
- (2) An emergency drop box may be maintained without a number or marking, if the word "emergency" is permanently imprinted or impressed thereon, and when put into use, is temporarily marked with the number of the gaming table and identification of the shift.
- (3) If offered, jackpot collections shall be dropped into a separate drop box or otherwise segregated and accounted for separately.
- (4) The time(s) for the collection of the drop boxes and the count shall be established by the gambling establishment and conducted at the same time(s) each day.
- (5) The security department shall notify the surveillance department whenever a drop box is to be removed from a gaming table.
- (6) A drop box, whether in use or not, shall be removed from the gaming table at the time established in subsection (4), by the security department with at least one employee of the gaming operation department monitoring the removal. Gaming activity at that table shall cease until the drop box has been removed and replaced with a new box.
- (7) A drop box removed from the gaming table shall be placed in a cabinet or trolley secured with two keys; one controlled by security and the other controlled by the gaming operation department. The process shall be documented and the documentation shall be signed by the member of the security department and the member of the gaming operation department who monitored the collection process.
- (8) The secured cabinet or trolley shall be transported directly to the count room and secured by the count room personnel.
- (9) A drop box, which is not attached to a gaming table, shall be stored in a secure count room.
- (10) A drop box, when not in use during a shift, may be stored on the gaming table if the entire area is covered by taped surveillance.

- (b) Licensees with a reported gross revenue less than \$200,000 for the preceding fiscal year shall address, in policies and procedures, the following requirements for drop collections:
 - (1) A gaming table shall have attached to it a metal container known as a "drop box".
 - (2) Collection fees shall be deposited into the drop box.
 - (3) If offered, jackpot collections shall be dropped into a separate drop box or otherwise segregated and accounted for separately.
 - (4) The times(s) for the collection of the drop boxes and the count shall be established by the gambling establishment and conducted at the same time(s) each day.
 - (5) A drop box removed from a gaming table, whether in use or not, shall be afforded security sufficient to protect the asset and shall be transported to a count area.
 - (6) A drop box not attached to a gaming table shall be stored in a secure area.
 - (7) A drop box, when not in use during a shift, may be stored on a gaming table if the entire area is secure or covered by surveillance during that period of time.

12379. Count; Count Room functions

- (a) A licensee with a reported gross revenue of \$200,000 or more for the preceding fiscal year shall address, in policies and procedures, the following requirements for count room functions:
 - (1) A licensee shall maintain a secured area known as the count room for the counting of gaming chips, which shall:
 - (A) Be a fully enclosed room with only one entry designed and constructed to provide maximum security for the materials housed therein and for the activities conducted therein,
 - (B) Contain an alarm device connected to the entrance of the count room which causes a signaling to the surveillance department whenever the door to the count room is opened or notification to the surveillance department prior to the start of the count so the entire process is monitored by surveillance, and

- (C) Not be used as a storage facility, nor have containers which could be used to conceal chips or cash.
- (2) A licensee shall designate count team members. The opening, counting and recording of the contents of a drop box shall be performed in the presence of and by those employees assigned by the gaming operation department for the conduct of the count. The count team must consist of at least three employees who shall not be in a position to perpetrate or conceal errors or irregularities in the normal course of duty. Anyone both recording transactions and having access to the relevant assets is in a position to perpetrate errors or irregularities.
- (3) Count room employees shall be attired so as prevent the concealing of chips, for example by wearing smocks or other clothing with no pockets, with the objective of taking all reasonable steps to eliminate means of concealing chips.
- (4) Immediately prior to the commencement of the count, one count team member shall notify the surveillance department that the count is about to begin.
- (5) Immediately prior to the opening of a drop box, the door to the count room shall be securely locked and except as otherwise authorized, a person shall not be permitted to enter or leave the count room, except during a normal work break or in an emergency, until the entire counting, recording, and verification process is completed. The entire count process shall be continuously monitored and recorded by surveillance.
- (6) Contents of drop boxes shall not be mixed prior to the counting and recording of a drop box.
- (7) Drop boxes shall be emptied in a manner so that surveillance cameras can record that all contents have been removed from drop boxes for the count.
- (8) Drop box counts shall be permanently recorded in ink or another approved form on a daily count sheet which documents the name of the gambling establishment, date of the count, total number of boxes counted, shift, individual box number or table number of the box to be counted, amount in each individual box, and the signatures of the count team members conducting the count. Corrections to information originally recorded shall be made by drawing a single line through the

error and writing the correct figures above the original figures or by another method approved by the Division.

- (9) At the conclusion of the count, all chips shall be presented by a count team member to a cashier who, prior to having access to the information on the count sheet and in the presence of the count team, shall count the chips received, then verify the accuracy of the count by signing the count sheet.
 - (10) Count sheets shall be immediately remitted by a count team member to the accounting department or deposited in a locked box accessible only by the accounting department. Count sheets shall be maintained and controlled by the accounting department.
- (b) A licensee with a reported gross revenue of less than \$200,000 for the preceding fiscal year shall address, in policies and procedures, the following requirements for count room functions:
- (1) A licensee shall ensure the contents of drop boxes are counted and recorded in a manner that ensures the proper accountability of all gaming chips.
 - (2) The count team must consist of at least two employees who shall not be in a position to perpetrate or conceal errors or irregularities in the normal course of duty.
 - (3) Records of drop box counts shall be maintained on a daily count sheet which includes the name of the gambling establishment, date of the count, total number of boxes to be counted, shift, individual box number or table number of the box to be counted, amount in each individual box and signed by the employees who conducted the count.
 - (4) The entire count process shall be continuously monitored and recorded by surveillance.

12380. Cage functions

- (a) A licensee with a reported gross revenue of \$200,000 or more for the preceding fiscal year shall address, in policies and procedures, the following requirements for the cage:
- (1) A licensee shall maintain a secure area on the gaming floor which is designated as the cage. The cage shall be designed, constructed and

operated to provide maximum security and accountability for funds including, at a minimum, the following:

- (A) A manually triggered silent alarm system connected directly to the surveillance room(s) and the closed circuit television system or an alarm monitoring agency, and
 - (B) Access through a locked door, which shall have closed circuit television coverage, which is monitored by the surveillance department.
- (2) Entry to the cage shall be limited to authorized personnel. The licensee shall maintain a list of the names of all persons authorized to enter the cage, those who possess the combination or the keys or who control the mechanism to open the locks securing the entrance to the cage, and those who possess the ability to operate the alarm system.
- (3) A log shall be maintained documenting all persons, other than on-duty cage employees, entering the cage. The log must contain the person's name, title, time entering and exiting, reason for entering, and date of entry or provide equivalent information through an access control. Any access control system must provide a secure, tamperproof means of recording entry and exit information.
- (4) A licensee shall maintain a cashier's function to process gaming activity transactions through the cage. The cashier shall be responsible for, at a minimum, the following:
- (A) Custody of the cage and vault inventory, which is comprised of currency, coin, patron checks, gaming chips, forms, documents and records normally associated with the operation of a cage.
 - (B) Receipt, distribution, and redemption of gaming chips.
 - (C) Deposits to and withdrawals from players' banks and dealers' banks.
 - (D) Cashing checks and/or extensions of credit for patrons.
 - (E) Receipt of documentation for the reconciliation of activities of the gambling establishment that includes and/or identifies required signatures to demonstrate the effective supervision and segregation of duties in the cashier's cage.
 - (F) Preparation of cage accountability reconciliations and accounting records. All transactions which flow through the cage shall be summarized on a cage accountability form for each shift.

- (G) Maintenance of records necessary to document compliance with the requirements of Title 31 of the United States Code and Part 31 of the Code of Federal Regulations.
- (H) Performance of such other functions as necessary to ensure proper accountability of funds and chips.
- (5) Cage activity shall be reconciled after each shift by the incoming and outgoing cashiers and reconciled to the general ledger at least monthly by someone other than a cage cashier or cage supervisor. An incoming cashier shall make an independent count and compare the results with an outgoing cashier for accuracy and to maintain individual accountability. Forms shall be signed in ink by both cashiers.
- (6) The purchase or redemption of chips by a patron may only occur at the cage, a satellite cage, or from a designated gambling establishment employee on the gaming floor. Proposition player service providers may not purchase or redeem chips for cash or cash equivalents from a patron.
- (7) All reconciliation records shall be maintained in a secured area on site at the gambling establishment or at a California facility approved in advance by the Division for a period of seven years.
- (b) A licensee with a reported gross revenue of \$200,000 or less for the preceding fiscal year shall address, in policies and procedures, the following requirements for the cage:
 - (1) Licensee shall maintain a Cage or Satellite cage.
 - (2) Access to the cage area shall be limited to designated cage personnel listed on the gambling establishment organizational chart.
 - (3) Cage activity shall be reconciled after each shift by the incoming and outgoing cashiers and reconciled to the general ledger at least monthly by someone other than the cage cashier.
 - (4) Records maintained to document all gaming activity transactions shall be maintained in a secured area on site at the gambling establishment or at a California facility approved in advance by the Division for a period of seven years.

12381. Check Cashing

- (a) A licensee that cashes checks for a patron shall address, in policies and procedures, the following requirements for the cashing of checks:
 - (1) Prior to cashing a check for a patron:
 - (A) Determine that cashing such check is not prohibited by any statute, law, regulation or local ordinance;
 - (B) Determine that such check is not drawn on a federal, state, county, or other government fund, as outlined in Business and Professions Code section 19841, subdivision (q); and
 - (C) Ensure the check being cashed is drawn against available funds.
 - (2) Checks cashed by the gambling establishment for a patron shall be cashed at the cage or satellite cage. Checks that have been accepted by a cage cashier shall not be returned to the patron for any reason.
 - (3) The house may not charge or collect a fee for cashing a check for a patron.
 - (4) If personal checks, cashier's checks, or payroll checks are cashed, the cage cashier shall examine and record at least one item of personal identification, such as a valid driver's license number.
 - (5) A check received in a Group I or Group II gambling establishment shall be deposited in the licensee's bank account within two banking days after receipt. Checks that are not deposited in the licensee's bank account within two banking days shall be considered an extension of credit by the licensee to the presenter of the check. A check received in a Group III gambling establishment shall be deposited in the licensee's bank account within three banking days.
 - (6) Records of all returned checks shall be maintained by the accounting department and shall be available to the cashier. The records shall include, at a minimum, the following:
 - (A) Date of the check.
 - (B) Name of the drawer of the check.
 - (C) Amount of the check.
 - (D) Date(s) the check was dishonored.
 - (E) Date(s) and amount(s) of any collection received on the check after being returned by a bank.
 - (7) If a check is dishonored, the name of the person who submitted the check shall be kept in a log and available to the cashier. This person shall be

prohibited from submitting additional checks until the amount owed is paid in full.

OPTION: Any licensee that engages in the issuance of credit, check cashing, or direct mail marketing of gaming opportunities, shall implement a program containing the elements described below, as appropriate, that allows patrons to self-limit their access to the issuance of credit, check cashing, or direct mail marketing by that licensee. As appropriate, such program shall contain, at a minimum, the following:

- (a) The development of written materials for dissemination to patrons explaining the program;
- (b) The development of written forms allowing patrons to participate in the program;
- (c) Standards and procedures that allow a patron to be prohibited from access to check cashing, the issuance of credit, and the participation in direct mail marketing of gaming opportunities;
- (d) Procedures and forms requiring the patron to notify a designated office of the licensee within 10 days of the patron's receipt of any financial gaming privilege, material, or promotion covered by the program.

OPTION: A licensed gambling establishment shall not have an automated teller machine (ATM) or other cash dispensing machine on its premises.

12382. Extending Credit

- (a) "Counter checks" or "hold checks" or "markers" shall be considered an extension of credit.

ALTERNATIVE #1

- (b) Gambling establishments may not extend credit.

ALTERNATIVE #2

- (b) A licensee may extend credit to a patron, if prior to extending credit to the patron, the licensee determines that an extension of credit is not prohibited by any statute, law, regulation or local ordinance.

- (c) A licensee that extends credit to a patron shall address, in policies and procedures, the following requirements for the extending and collecting of credit:
- (1) Establish a method for determining the maximum amount which will be advanced to a patron.
 - (2) Prior to extending credit to a patron, ensure that the person requesting the credit is positively identified by examining the patron's valid driver's license or another acceptable method of identification. In addition, ensure that one of the following has been met:
 - (A) Receipt of information from a bona fide credit-reporting agency that the patron has an established credit history consistent with approved credit policies.
 - (B) Receipt of information from a legal business that has extended credit to the patron that the patron has an established credit history that is not entirely derogatory.
 - (C) Receipt of information from a financial institution at which the patron maintains an account that the patron has an established credit history that is not entirely derogatory.
 - (D) Examination of records of previous credit transactions with the patron showing that the patron has paid substantially all credit instruments and otherwise document that it has a reasonable basis for extending the amount to the patron.
 - (3) A designated key employee other than a dealer must approve any credit application.
 - (4) For each patron that is issued credit, the following information shall be collected and maintained:
 - (A) Patron's name, current address, and signature;
 - (B) Identification verification, such as driver's license number, social security number, or passport;
 - (C) Basis upon which credit verified, as listed in subsection (2);
 - (D) Documentation of authorization by a person designated by management to approve credit;
 - (E) Authorized credit limit; and
 - (F) Credit balance outstanding and payments.
 - (5) If an extension of credit is delinquent for more than 90 days, the name of the person to whom the credit was extended shall be kept in a log

and available to the cashier. The person shall be prohibited from obtaining additional credit until the amount owed is paid in full.

12383. Adequate Financing

- (a) For the purposes of this section, “insured account” means funds held at a federal-chartered or state-chartered financial institution, insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration.
- (b) The Commission or Division may require a licensee to present satisfactory evidence that there is adequate financing available to protect the patrons of the gambling establishment against defaults. A gambling establishment has a fiduciary obligation towards its patrons and shall, at all times, maintain one or more separate, specifically designated, insured accounts with a licensed financial institution in an amount not less than the total value of the funds needed to cover the following outstanding liabilities:
 - (1) The current amount of chips in use;
 - (2) The total amount of the monies that patrons of that gambling establishment have on deposit with the gambling establishment (Player’s bank funds);
 - (3) The total amount of all jackpot monies (Jackpot funds); and
 - (4) The total amount of all tournament monies (Tournament funds).
- (c) Such funds shall only be used for the stated purpose in subsection (b) and shall not be used as collateral, or encumbered or hypothecated in any manner or for any other obligation.
- (d) Alternatively, a licensee with a reported gross revenue of \$200,000 or more for the preceding fiscal year who retains an independent accountant licensed by the California Board of Accountancy to audit the licensee’s annual statement in accordance with generally accepted auditing standards, may request written approval from the Division **on Form #**, hereby incorporated by reference, to use a formula developed by the Division in lieu of maintaining the account amounts specified in subsection (b).
- (e) If the Division finds that a licensee is consistently not maintaining sufficient funds or has had more than two violation notices regarding adequate financing in the previous 25 months, the Division may require the licensee to maintain an additional 25% more than the funds listed in subdivision (b) in a separate, specifically designated, insured account or may require the licensee to post a bond in the additional amount of 50% of the funds listed in subdivision (b).

- (f) Documentation to support compliance with this regulation shall be generated no less than monthly and shall be maintained at the gambling establishment and be available for review by the Division or Commission.
- (g) If at any time such funds should be less than the amount required by this regulation, the licensee shall immediately notify the Division of the deficiency.

Note: Authority cited: Sections 19824 and 19841, Business and Professions Code.
Reference: Sections 19841, 19920, and 19824, Business and Professions Code.

12384. Player's Banks and Dealer's Banks

A licensee shall address, in policies and procedures, the following requirements for player's banks and dealer's banks:

- (a) All deposits to, and/or withdrawals from a player's bank shall be processed through the cage and documented by a written instrument that is signed and dated by the cage cashier and the patron. The patron shall be given a copy of the document for his or her records. A record of all transactions to and from a player's bank by a patron shall be maintained and reconciled at least monthly. Records of players' banks, including patron's name, date of last transaction, balance in individual accounts, and a total of all players' banks held at the gambling establishment shall be made available upon request by the Division.
- (b) If dealers are required by the gambling establishment to pay for their dealer's bank, all deposits to, and/or withdrawals from a dealer's bank shall be processed through the cage and documented by a written instrument that is signed and dated by the cage cashier and dealer. The dealer shall be given a copy of the document for his or her records. A record of all transactions to and from a dealer's bank shall be maintained and reconciled at least monthly. Records of dealer's banks shall be made available upon request by the Division.

12386. Jackpots

A licensee who offers jackpots shall address, in policies and procedures, the following requirements for a jackpot:

- (a) Pursuant to California Code of Regulations, title 4, section 12356, subsection (c), a licensee shall submit an application for authorization of gaming activity to the Division, and shall receive approval prior to offering the gaming activity. Rules for the jackpot, including administrative fees, as approved by the Division, shall be posted. Rules shall disclose the conditions under which the jackpot may be won.
- (b) A licensee may collect an amount from the players for the purpose of participating in a jackpot for an authorized gaming activity. The jackpot fee may not be calculated as a fraction or percentage of the wagers made or winnings to be earned.
- (c) A licensee shall maintain a separate account for holding jackpot funds.
 - (1) Only receipts for jackpot participation shall be deposited into the account.
 - (2) Receipts for jackpot participation, which are being held pending disbursement, shall be deposited in the licensee's jackpot account within two banking days of the date of collection.
 - (3) Outstanding jackpot liability shall be recorded in the gambling establishment's records.
 - (4) Account balance, per the financial institution statement, shall be reconciled to the jackpot fund balance at least monthly. Record of the reconciliation shall be kept by the licensee.
- (d) An administrative fee may be imposed by the licensee and may not be calculated as a fraction or percentage of the jackpot fund, wagers made, or winnings to be earned. This administrative fee is to cover all expenses incurred by the licensee for administering the jackpot. Expenses beyond the administrative fee shall not be deducted from the jackpot fund.
- (e) All administrative fees collected by the gambling establishment must be reported to the Division as part of gross gaming revenue annually on **FORM #**
- (f) Licensees, gambling establishment employees, and proposition players may participate in gaming activities that offer a jackpot, but shall be ineligible to receive any portion of the winnings of any prize awarded. Any prize winnings an owner, gambling establishment employee, or proposition player may be entitled to under game rules shall remain in the jackpot fund.
- (g) Jackpot funds, less the administrative fee, shall be awarded as prizes, based upon the rules for offering the jackpot approved by the Division.
- (h) A licensee shall maintain and, upon request, allow the Division to inspect records of all winners of \$600 or more, including:

- (1) Name
 - (2) Address
 - (3) Telephone number
 - (4) Method of identification used to verify identity of winner
 - (5) Amount of jackpot awarded and how it was paid to winner (i.e. cash, check, or combination of cash and check)
 - (6) Description of winning hand
 - (7) Time and date awarded
 - (8) Dealer's signature
 - (9) Supervisor's signature
 - (10) Winner's signature
 - (11) Surveillance video
 - (12) Documentation required by the Internal Revenue Service, if applicable
- (i) A licensee shall be responsible for reporting all required information, such as winnings (IRS Form W2Gs and/or 1099s) pursuant to Internal Revenue Service requirements, currency transactions (CTRs) pursuant to Title 31 of the United States Code and Part 31 of the Code of Federal Regulations, and Title 11 of Part 4 of the California Penal Code, commencing with section 14160.
- (j) A licensee shall request approval of the Division prior to discontinuing a jackpot promotion.
- (1) If a licensee elects to discontinue a jackpot and receives approval from the Division, the balance, less any nonrecouped seed money, shall be distributed to players within sixty days of discontinuance by offering an approved promotion or card tournament of the same game under which a jackpot was originally accrued.
 - (2) If a licensee ceases to operate a gambling establishment, or fails to maintain a valid gambling establishment license, funds associated with a jackpot shall be dispersed in accordance with Regulation 12418.
- (k) If a dispute arises involving the outcome of a jackpot, a licensee shall preserve an unedited video recording, winning hand and remaining deck, all related evidence, and records for the game where the dispute occurred until the dispute is resolved. A licensee shall notify the Division of unresolved

disputes within 10 business days. A licensee shall document information pertaining to the dispute including:

- (1) Names, addresses, and phone numbers of players, gambling establishment staff, and witnesses involved.
- (2) Amount of the advertised jackpot.
- (3) A full description of the circumstances surrounding the dispute.

12387. Tournaments or Special Events

A licensee who offers tournaments or special events shall address, in policies and procedures, the following requirements for a tournament or special event (hereafter, event):

- (a) Pursuant to California Code of Regulations, title 4, section 12356, subsection (e), a licensee shall submit an application for authorization of gaming activity to the Division, and shall receive approval prior to offering the gaming activity. Rules for the event, as approved by the Division, shall be posted.
- (b) Pursuant to California Code of Regulations, title 4, section 12358, a licensee shall submit an application for approval for additional tables to the Commission, if required for the event, and shall receive approval to use additional tables prior to the event.
- (c) A licensee may collect a fee from the players for the purpose of participating in an approved event. This fee may not be calculated as a fraction or percentage of the wagers to be made or winnings to be earned.
- (d) If the event lasts less than one day, a licensee shall maintain documentation to support the number of entrants, fees, event funds collected, and event funds paid out.
- (e) If the event lasts longer than one day, a licensee shall maintain a separate account for holding event funds.
 - (1) Only receipts for event participation shall be deposited into the account.
 - (2) Receipts for event participation, which are being held pending disbursement, shall be deposited in the licensee's event account on the day received from the participant.
 - (3) Outstanding jackpot liability shall be recorded in the gambling establishment's records.

- (4) Account balance, per the financial institution statement, shall be reconciled to the event fund balance at least monthly. Records of the reconciliations shall be kept by the licensee.
- (f) All event fees collected by the gambling establishment must be reported to the Division as part of gross gaming revenue annually on **FORM #**
- (g) All event funds, except the entry fee, shall be returned when won, based upon the rules for offering the event approved by the Division.
- (h) A licensee shall maintain and, upon request, allow the Division to inspect records of all winners of \$600 or more, including:
 - (1) Name;
 - (2) Address;
 - (3) Telephone number;
 - (4) Method of identification used to verify identity of winner;
 - (5) Amount won and how it was paid or delivered to winner (i.e. cash, check, description of item of value and approximate cash value, or combination thereof);
 - (6) Time and date awarded;
 - (7) Supervisor's signature;
 - (8) Winner's signature;
 - (9) Surveillance video; and
 - (10) Documentation required by the Internal Revenue Service, if applicable.
- (i) A licensee shall be responsible for reporting all required information, such as winnings pursuant to Internal Revenue Service requirements, currency transactions (CTRs) pursuant to Title 31 of the United States Code and Part 31 of the Code of Federal Regulations, and Title 11 of Part 4 of the California Penal Code, commencing with section 14160.

12388. Gaming Floor Operation and Table Games

- A licensee shall address, in policies and procedures, the following requirements for gaming floor operation and table games:
- (a) Gaming activity must be conducted in accordance with federal and state law, approval given by the Division, and any applicable local ordinances.
 - (b) All areas of the gambling establishment in which gaming activity is conducted shall be open to the public.

- (c) The gambling establishment must maintain a log and record, by date and by shift, which tables are open, the games played at each table and the length of time for which the games were played, and the personnel assigned to each table.
- (d) A gambling establishment shall have on the premises, at all times that the establishment is open to the public, a licensee or a key employee who shall have the responsibility and authority to ensure immediate compliance with the Act, these regulations, and any other provision of law.
- (e) For a licensee with a reported gross revenue of \$200,000 or more for the preceding fiscal year, the following employees are required:
 - (1) At least one key employee per shift for up to ten poker games tables in operation to supervise and monitor the floor operation.
 - (2) At least one key employee per shift for up to four California games tables to supervise and monitor the floor operation.
 - (3) In addition to the employees listed in subsection (d)(1) and (2), a licensee who utilizes visibly separate areas of a particular gambling establishment shall require at least one key employee per shift in each separate area, including high limit areas, to supervise and monitor the floor operation.
- (f) A licensee with a reported gross revenue of less than \$200,000 for the preceding fiscal year may request an alternative to the physical supervision requirements of subsection (d) and (e). Such request may be made to the Division. The Division, in its discretion, may approve a plan whereby the licensee or a key employee, who shall have the responsibility and authority to ensure compliance with the Act, these regulations, and any other provision of law, shall be available to respond by telephone or in person at the gambling establishment if requested by the gambling establishment, Commission, or Division within thirty minutes of initial contact. The plan shall identify each such individual by name, title, and telephone contact number, as well as identifying the days and hours available as the designated contact.
- (g) The specific name and rules of each game and gaming activity shall be printed in English and available or conspicuously posted and clearly legible from each table and must indicate the fee collection rate charged, the number of raises allowed, the wagering limits, the amount of ante, and other rules or variations as may be necessary.

- (h) **OPTION:** Licensees shall not gamble in any gambling establishment for which they have a current license. Key employees shall not gamble in the gambling establishment in which the employee is employed or in any other gambling establishment in this state which is owned or operated by the same gambling establishment licensee.

12390. Chips, Cards, and Other Gaming Equipment

- (a) A licensee shall address, in policies and procedures, the following requirements for chips:
- (1) Chips purchased shall be designed, manufactured, and constructed so as to prevent the counterfeiting of such chips.
 - (2) All chips shall be safeguarded to assure integrity of gambling activity and to prevent unauthorized use or tampering.
 - (3) Procedures for the receipt, handling, storage, and destruction of chips, which shall be documented in a chip inventory log. A chip inventory log shall contain the following information, at a minimum:
 - (A) Vendor from whom chips were purchased.
 - (B) Vendor hired to ship chips.
 - (C) Total number of chips by denomination.
 - (D) Date chips are purchased.
 - (E) Date purchased chips are returned to vendor or taken out of service.
 - (4) The purchase of gaming chips by a patron shall be conducted in a manner to ensure proper accountability of chips and cash. Chips shall be included in the total cage accountability.
 - (5) If a licensee accepts foreign chips, the licensee shall maintain written procedures for ensuring authenticity, accepting, recording, and redeeming foreign chips. Foreign chips shall only be redeemed or accepted for:
 - (A) Chips of equal value of the gambling establishment.
 - (B) Deposit into the patron's player bank at the gambling establishment.
- (b) A licensee shall address, in policies and procedures, the following requirements for the receipt, handling, storage and destruction of cards:

- (1) A licensee shall furnish all cards in connection with all gaming activity conducted on its premises. All cards shall be of generally conventional size and design.
 - (2) A licensee shall secure and safeguard all cards to assure integrity of the gaming activity. Licensee shall not allow playing cards that have been shaved, sanded, cut, carved or otherwise marked in any manner which may make certain cards identifiable to players other than as allowed by the rules of a the particular game.
 - (3) A licensee shall maintain playing cards which are not in use on the gaming tables in a secure location to prevent unauthorized access to the cards.
 - (4) A licensee shall maintain a card control log which documents the movement of card set-ups to and from the gaming tables.
- (c) For purposes of this section, “gaming equipment” shall include gaming tables, table layouts, card-dispensers or shoes, dice, dice cups, card shufflers, deck checkers, and Pai Gow tiles. A licensee shall have MICS which address the following requirements for the receipt, handling, storage, and destruction of other gaming equipment:
- (1) All gaming equipment shall be inventoried and controlled by someone other than the gaming floor operation staff.
 - (2) A licensee shall not have more tables on the gaming floor than have been licensed by the Commission, except if the gambling establishment maintains a clearly marked training table, which shall be used solely for instructional purposes. A training table cannot be used to satisfy the “no purchase necessary” requirement for gaming activities.
 - (3) A licensee shall furnish all other gaming equipment in connection with all gaming activity conducted on its premises.
 - (4) A licensee shall secure and safeguard all other gaming equipment to assure integrity of gaming activity. A licensee shall not allow other gaming equipment which has been shaved, sanded, cut, carved or otherwise marked or tampered with in any manner.
- (d) New or used chips, cards, or other gaming equipment, when determined to be defective or unusable, shall be destroyed with records maintained for seven years. Records must include the reason for destruction, date and method of destruction, signature of the general manager or his or her

designee and security shift supervisor authorizing and witnessing the destruction.

12392. Security

- (a) A licensee with a reported gross revenue of \$200,000 or more for the preceding fiscal year shall address, in policies and procedures, the following security requirements:
 - (1) Gaming activity shall be closely monitored and controlled.
 - (2) Access to restricted areas of the gambling establishment by unauthorized gambling establishment employees or other individuals shall be controlled.
 - (3) A key control box shall be installed and maintained which meets the following specifications:
 - (A) A secure container with a minimum of one keylock mechanism. Coded key box or combination key box is permitted.
 - (B) Attached to a permanent structure without visibility of hardware used to attach the key box.
 - (C) Fire resistant
 - (D) Tamper proof.
 - (E) Keys stored within the box shall be easily identifiable, labeled, and displayed individually in numeric or alphabetic order.
 - (F) Physical location of key control box may be determined by the licensee. The location shall not permit an individual to gain access to a restricted area that he/she would otherwise not be allowed to enter. If key box is located in an area where unauthorized individuals have access, that person may only have custody of the key and open the key box in the presence of the key custodian; or while under camera coverage.
 - (4) Access to key control box shall be limited to the licensed gambling establishment employee(s) responsible for overall supervision or management of the operation for which the box is maintained
 - (5) A key control log shall be maintained for each key control box and shall document the issuance and return of all keys used to control access by gambling establishment employees to restricted areas.
 - (6) At least one uniformed security officer shall patrol the parking lot. Adequate lighting shall be provided into parking lot.

- (7) A backup generator for lighting, information systems, and surveillance cameras shall be installed and maintained.
- (b) A licensee with a reported gross revenue of less than \$200,000 for the preceding fiscal year shall address, in policies and procedures, the following security requirements:
 - (1) Gaming activity shall be closely monitored and controlled.
 - (2) Access to restricted areas of the gambling establishment by unauthorized gambling establishment employees or other individuals shall be controlled.

Authority: B/P 19924

12394. Surveillance

- (a) A licensee with a reported gross revenue of \$200,000 or more for the preceding fiscal year shall address, in policies and procedures, the following surveillance requirements:
 - (1) Surveillance department shall be separate from the security function and its personnel.
 - (2) Surveillance room shall have controlled access and be accessible solely by the employees of the surveillance department assigned to monitor activity. Other persons must log in and out, provide the purpose of the visit, and be accompanied by surveillance personnel. Cameras shall be installed to monitor all entrance and exit doors of the surveillance room.
 - (3) Immediate access to the surveillance room shall be provided, upon request, to Division staff and law enforcement personnel.
 - (4) Entrance to surveillance room shall not be readily observable or accessible from the gaming operation area.
 - (5) A licensee shall ensure a surveillance employee is present in the surveillance room and monitoring the activities of the operation, via the surveillance room equipment, any time the gambling establishment is open to conduct gaming activity. Licensee may not allow the surveillance room to operate without staff.
 - (6) A surveillance room sign-in log shall be maintained to document the amount of time each surveillance employee monitors the gambling establishment. The surveillance sign-in log shall be available for inspection at any time, upon request, by Division staff or law enforcement personnel.

- (7) Critical activities related to gaming activity shall be closely monitored by the use of a closed circuit television (CCTV) system and video recording.
- (8) Count room surveillance shall include closed circuit television (CCTV), video recording, and audio recording.
- (9) Licensee shall maintain a record of all surveillance activity in the surveillance room. A surveillance log shall be maintained by surveillance personnel and shall include, at a minimum, the following:
 - (A) Date and time of surveillance,
 - (B) Person initiating surveillance,
 - (C) Time of termination of surveillance,
 - (D) Summary of the results of the surveillance,
 - (E) A record of any equipment or camera malfunctions,
 - (F) Time of drop collection,
 - (G) Time of count procedure, and
 - (H) Dates and times of patron disputes.
- (10) The surveillance cameras utilized shall be capable of recording with sufficient coverage and clarity in order to identify patrons, dealers, wagers, cards, and game outcome. Each gaming table must have a dedicated camera providing sufficient coverage and clarity at all times of operation. In addition, a Pan/Tilt/Zoom (PTZ) camera must be installed to cover, at a maximum, five tables which will pan the faces of patrons and dealers for identification at a minimum of once per hour during gaming operation.
- (11) The surveillance equipment shall be installed in a manner that prevents it from being readily obstructed, tampered, with or disabled by patrons or employees. The surveillance department staff shall conduct a daily check to ensure all surveillance equipment is functioning properly.
- (12) Employees shall not intentionally obstruct surveillance system equipment.
- (13) Reasonable effort shall be made to repair malfunctioning surveillance equipment within 72 hours of the discovery of the malfunctions. Play may not resume unless criteria in subsection (9) are met.
- (14) The surveillance system shall include date and time generators which possess the capability to display the date and time of recorded events on video tape or digital recordings. The displayed date and time shall not significantly obstruct the recorded view.

- (15) Video and audio tapes or other recording media shall be marked to denote the activity recorded and shall meet the following minimum retention periods:
 - (A) All recordings shall be retained for a minimum of fifteen complete gaming days.
 - (B) Recordings of evidentiary value shall be maintained for at least one year, or longer if requested by the Division, or suspicious activities are noted.
 - (C) Recordings of any criminal offense shall be maintained indefinitely.
- (16) Incident reports shall be filed with the Division whenever (a) someone tries or succeeds in passing counterfeit currencies, or (b) someone is suspected of cheating or stealing based on actions in the gambling establishment.
- (b) A licensee with a reported gross revenue of less than \$200,000 for the preceding fiscal year shall address, in policies and procedures, the following surveillance requirements:
 - (1) A licensee shall ensure that critical activities related to gaming activity are closely monitored by the use of a closed circuit television (CCTV) system and video recording.
 - (2) A licensee's surveillance system must at least monitor the drop collection and count process, cage and cashier activities, and the gambling establishment entrances and exits.
 - (3) The surveillance cameras utilized shall be capable of recording with sufficient coverage and clarity in order to identify patrons, dealers, wagers, cards, and game outcome. Each gaming table must have sufficient coverage and clarity at all times of operation.
 - (4) A licensee with fewer than eight tables shall not be required to maintain a staffed surveillance room.
 - (5) Video and audio tapes or other recording media shall be marked to denote the activity recorded and shall meet the following minimum retention periods:
 - (A) All recordings shall be retained for a minimum of seven complete gaming days.
 - (B) Recordings of evidentiary value shall be maintained for 90 days, unless otherwise requested by the Division.

- (C) Recordings of any criminal offense shall be maintained indefinitely.

NOTE authority-B/P 19924

12396. Information Technology Systems

- (a) A licensee with a reported gross revenue of \$200,000 or more for the preceding fiscal year shall address, in policies and procedures, the following Information Technology Systems (IT) requirements:
 - (1) Computer(s) and computer terminal(s) shall be protected by physical security. Management shall implement controls to protect against unauthorized use, vandalism, or theft.
 - (A) Hardware shall be maintained in a secure area with access restricted to authorized personnel.
 - (B) Software and data files shall be maintained in a secure area with access restricted to authorized personnel.
 - (2) Computer(s) and computer terminal(s) shall be protected by password security. Management shall limit access to the IT by using passwords and /or user identification controls.
 - (A) Users shall only have access to data which is needed to perform their duties. Access levels for employees shall be:
 - (i.) Recommended in writing by the employee's supervisor
 - (ii.) Approved by senior management
 - (iii.) Implemented by the IT administrator
 - (iv.) Reviewed by the employee's supervisor at least annually to determine appropriateness
 - (v.) Reviewed periodically by the gambling establishment's security officer to ensure that user access levels are appropriate
 - (B) User-names and passwords shall be controlled as follows:
 - (i.) Each user shall have a unique password.
 - (ii.) Passwords shall be changed at least quarterly with changes documented.
 - (iii.) Terminated employees shall have their access to the IT removed within one business day of termination.
 - (iv.) A licensee shall maintain a list of current and past users and level of access including but not limited to, computer

- data and access to systems software and application programs.
- (3) Backup and recovery procedures shall, at a minimum, include:
 - (i.) Daily backup of data files;
 - (ii.) Backup copies of all system software;
 - (iii.) Secured off-site storage of all backup data files and software;
 - (iv.) Business resumption and disaster contingency plan to provide for the timely recovery from possible threats, including natural disasters, technical disasters, and human threats; and
 - (v.) Testing of recovery procedures on an annual basis with results of testing documented in writing.
 - (4) System documentation shall be maintained and, at a minimum, include:
 - (i.) Descriptions of hardware and software, including a Network Map
 - (ii.) Operator manuals for system hardware and software
 - (5) IT personnel shall be independent of the all other departments. IT personnel shall not have access to:
 - (i.) Cash, cash equivalents, or chips
 - (ii.) Initiating general ledger or subsidiary ledger entries
 - (6) Computer logs shall be generated by the system and reviewed by IT supervisory personnel for, at a minimum, evidence of:
 - (i.) Multiple (failed) attempts to log-on
 - (ii.) Errors
 - (iii.) Any other unusual transactions
 - (7) An access log shall be maintained for remote software for support personnel or employees which, at a minimum, includes:
 - (i.) Name of employee authorizing remote access
 - (ii.) Name of authorized programmer or manufacturer representative
 - (iii.) Reason for remote access
 - (iv.) Description of work performed
 - (v.) Date, time, and duration of access
 - (8) Vendors who perform work on any portion of the system shall be accompanied at all times while in restricted access areas.

- (b) A licensee with a reported gross revenue of less than \$200,000 for the preceding fiscal year shall address, in policies and procedures, the following Information Technology Systems (IT) requirements:
 - (1) If a computer system is used, licensee shall backup the data on the computer system weekly, storing backup data files and copies of system software off-site.
- (c) For all licensees with a web presence, web sites shall be monitored to ensure that information is accurate and in compliance with all federal and state laws and local ordinances.

Repeal Chapter 6 heading before section 12400 and re-title Article 4.

Deleted: Chapter 6.

Article 4. Accounting and Financial Reporting (12400-12406)

12410. Unclaimed or Abandoned Property

A licensee shall address, in policies and procedures, the following requirements for unclaimed or abandoned property:

- (a) Procedures shall be in place to record unclaimed chips, cash, and cash equivalents left at a gaming table or in player's banks, uncashed checks issued by the licensee to a patron, and uncashed checks drawn on a licensee's account.
- (b) If the identity of the owner of the unclaimed property described in subsection (a) is known, procedures shall be in place to comply with California's Unclaimed Property Law (Code Civ. Proc., § 1500 et seq.).
- (c) If the identity of the owner of the unclaimed property described in subsection (a) cannot be determined, unclaimed or abandoned money shall be sent to Office of Problem Gambling in the Department of Alcohol and Drug Programs. Records of the date and amount sent shall be kept by the licensee.

Article 5. Required Reports

124XX. Required Reports

A licensee shall prepare and submit written reports to the Commission as required by this Article. Failure to submit reports as required by this Article constitutes an unsuitable method of operation and is grounds for disciplinary action.

- (a) A licensee is required to submit the following with an initial application for a state gambling license:
 - (1) Report of Gaming Activities [see Regulation 12356]
- (b) A licensee is required to submit the following with an application for renewal of a state gambling license:
 - (1) Emergency Preparedness and Evacuation Plan [see Regulation 12370]
- (c) A licensee is required to submit the following on or before January 30 and July 30 of each year:
 - (1) A written report which identifies every person who at any time during the prior six months received, or had a right to receive, payments which were calculated or based upon the earnings, profits, or receipts generated from controlled gambling at the gambling establishment.
 - (2) A written report which identifies every person to whom, at any time during the prior six months, any interest in the assets, earnings, profits, or receipts of the gambling establishment have been pledged or hypothecated.
 - (3) A written report identifying key employees **[FORM]**
 - (4) A written report which identifies the annual gross revenue for the licensee **[FORM]**, and lists the gross revenue for the following gaming activities:
 - (A) Poker games
 - (B) California or Asian games
 - (C) Jackpot administrative fees
 - (D) Tournament fees
 - (5) A written report which identifies all gaming activities offered at the gambling establishment at any time during the prior six months. The report shall include, but not be limited to, the following:
 - (A) The name of each gaming activity;
 - (B) The rules for each gaming activity, including, where applicable, a description of the event that determines the winner of the gaming activity, the wagering conventions, and the fee collection and assessment methods;

- (C) A glossary of distinctive terms or phrases used in each gaming activity;
 - (D) The dates on which each gaming activity was offered;
 - (E) Copies or transcripts of all advertisements used to promote the gaming activity; and
 - (F) Such other information as the Commission, in its discretion, requests.
- (d) A licensee is required to submit the following on or before the last day of each month:
- (1) A written quarterly report of all employees to the Division. The report shall include the employee's first and last name, social security number, date of birth, home address and telephone number, badge number, and position held at gambling establishment.
- (e) A licensee is required to submit the following as necessary or as requested by the Division or Commission:
- (1) Within five days of any licensee or key employee obtaining knowledge or notice of any possible violation of the Act or these regulations, a written report shall be submitted to the Commission which details the nature of the violation, the identities of those persons involved in the violation, and describes what actions have been taken to address the violation.
 - (2) Within ten days after making any changes in the organizational structure, a licensee shall submit to the Commission and Division an updated chart identifying such changes.
 - (3) On request, licensee shall submit to the Commission and Division a list of all employees including the employee's first and last name, social security number, date of birth, date of hire, badge number, job classification, job description, and salary.

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